

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SSO-00 /011 W

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FM AMEMBASSY KABUL

TO SECSTATE WASHDC IMMEDIATE 4232

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FOR NEA/PAB - AUSTRIAN FROM CURRAN

E.O. 11652: NA

TAGS: BEXP, AF

SUBJ: BUSINESS CALL FOR AMBASSADOR ELIOT

REF: KABUL 5657

1. PLEASE AIRMAIL SPECIAL DELIVERY FOLLOWING MESSAGE
TO AMBASSADOR ELIOT AT ADDRESS CONTAINED PARA ONE REFTEL.

2. FOR AMBASSADOR ELIOT FROM CHARGE. WE HAVE DEVELOPED
ADDITIONAL INFORMATION RE COST-OVERRUNS FROM THE KAJAKAI
POWER HOUSE PROJECT WHICH MAY BE USEFUL IN CONTACTS YOU
MAY HAVE WITH INTERNATIONAL ENGINEERING (IECO) OR
FISCHBACH-OMAN (FOI).

3. DUE TO LATE DELIVERIES OF OWNER-FURNISHED MATERIAL
(I.E., IN ORDER SAVE MONEY, GOA RPT GOA NEGOTIATED SUB-
CONTRACTS FOR MATERIALS AND EQUIPMENT DIRECTLY WITH
SUPPLIERS RATHER THAN GIVE IECO/FOI THE FEE AND THE
RESPONSIBILITY), THE ORIGINAL COMPLETION DATE FOR THE
KAJAKAI POWER HOUSE HAS SLIPPED FROM MARCH TO DECEMBER,
1975. WESTINGHOUSE, WHICH SUPPLIED THE GENERATORS AND
ANCILLARY EQUIPMENT, IS THE PRINCIPAL CULPRIT. RESULT-
ING COST OVERRUNS ARE EXPECTED TO EXCEED \$1 MILLION: CURRENT
TOTALS ARE APPROXIMATELY \$630,000 IN DOLLAR COSTS
AND 22 MILLION IN LOCAL, AFGHANI COSTS. TO DATE,
FOI, AS PRIME CONTRACTOR, HAS HAD TO ABSORB THESE
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OVERRUN COSTS AND IS IN THE PROCESS OF PREPARING

DOCUMENTATION TO SUBSTANTIATE A CLAIM FOR ADDITIONAL COMPENSATION.

4. AS ENGINEERING CONSULTANT TO THE GOA FOR THE PROJECT, IT FALLS TO IECO TO MAKE THE CASE FOR GOA PAYMENT OF THE OVERRUNS. WHILE FOI HAS NOT YET COMPLETED ALL SUBSTANTIATING DOCUMENTATION, GENERAL AGREEMENT HAS BEEN REACHED BETWEEN FOI AND IECO AS TO THE LEGITIMACY OF THE CLAIM. ROBERT RUFF, LOCAL IECO REP, TELLS US THAT HIS WORKING LEVEL CONTACTS IN THE WATER AND POWER AUTHORITY (WAPA) ARE WELL AWARE OF THE SITUATION BUT THAT IECO HAS NOT YET MADE A FORMAL PRESENTATION OF THE FACTS TO WAPA DIRECTOR MOHAMMEDI, OR OTHER POLICY-LEVEL OFFICIALS.

5. WE ARE CONCERNED THAT WITHOUT LAYING CAREFUL GROUNDWORK, IECO COULD HAVE DIFFICULTY IN CONVINCING THE GOA THAT EVEN THOUGH IT WAS THEIR SUB-CONTRACTING PROCEDURE WHICH CONTRIBUTED TO THE DELAYS, GOA SHOULD PICK UP THE TAB FOR OVERRUN COSTS. IT ALSO SEEMS TO US THAT IECO (ESPECIALLY BOB RUFF) COULD BE DOING MORE NOW IN THE WAY OF SUCH PREPARATION.

IF IECO FAILS TO MAKE A CONVINCING CASE, THIS WOULD NOT ONLY RESULT IN FINANCIAL LOSSES FOR FOI (OPIC WON'T COVER ALL OVERRUN COSTS); IT WOULD, ALMOST CERTAINLY DAMAGE THE LOCAL REPUTATION OF THE TWO FIRMS AND FURTHER ERODE THE GOA'S CONFIDENCE IN THE US PRIVATE SECTOR, AS WELL.

6. RUFF PLANS TO BE IN SAN FRANCISCO FOR ONE WEEK BEGINNING SEPTEMBER 16. IF YOUR SCHEDULE PERMITS, IT WOULD BE VALUABLE FOR YOU TO MEET WITH IECO (PARTICULARLY WITH NOLAN PIKE, IF AVAILABLE) DURING THIS PERIOD, BOTH TO ASCERTAIN HOW THEY PLAY TO PROCEED AND TO IMPRESS UPON TOP COMPANY OFFICIALS THE NEED FOR PROMPT AND CAREFULLY CONSIDERED ACTION.

6. ALL OF US LOOK FORWARD TO YOUR RETURN. WITH WARMEST REGARDS.
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CURRAN.

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